

ASSEMBLY BILL

No. 406

Introduced by Assembly Member Davis

February 14, 2011

An act to add Section 2924m to the Civil Code, relating to mortgages.

LEGISLATIVE COUNSEL'S DIGEST

AB 406, as introduced, Davis. Adjustable rate mortgages: balloon payments.

Existing law requires applicants for adjustable rate loans to be provided a specified disclosure notice. Existing law requires written notice to be provided at least 90 days prior to the date of the final payment on a balloon payment loan, as defined, that is secured by a deed of trust or mortgage on real property containing one to 4 residential units.

This bill would prohibit balloon payments from being included in the terms of an adjustable rate loan, as defined, for real property containing one to 4 residential units secured by a mortgage or deed of trust on real property.

Vote: majority. Appropriation: no. Fiscal committee: no.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 2924m is added to the Civil Code, to
2 read:
3 2924m. (a) An adjustable rate loan for real property containing
4 one to four residential units secured by a mortgage or deed of trust

- 1 on real property shall not provide for a balloon payment, as
- 2 described in paragraph (1) of subdivision (d) of Section 2924i.
- 3 (b) For purposes of this section, “adjustable rate loan” means a
- 4 loan where monthly payments for the loan may be adjusted to
- 5 reflect changes in the variable interest rate of the loan.